

Environmental and Social Review Summary (ESRS)

Divemotor Import Finance Facility for Electric Vehicles - Peru

Original language of the document: Spanish
Issuance date: September 2024

1. General information of the operation

Grupo Divemotor (the “Client” or the “Company”) is one of the largest marketers of heavy vehicles (trucks) in Peru. It ensures nationwide coverage through its own network of offices and agreements with local distributors, and has been the main distributor of Mercedes-Benz buses for 22 years. The Client is part of the Kaufmann Group (“Kauffman”), a Chilean business conglomerate with more than 70 years of experience in the vehicle dealership market, which began operating in Peru in 1993 and became a market leader. Kauffman, which also operates in Chile, Costa Rica, Nicaragua, Panama and Colombia, is an existing client of IDB Invest (Chile E-buses Project, 13434-01).

This transaction consists of a revolving, secured and uncommitted import financing facility for up to twenty million U.S. dollars (US\$20,000,000.00), to be used to finance the payment of purchase orders and invoices involving the importation of electric buses, trucks, cars and other electric vehicles.

The Project is considered to be aligned with the Paris Agreement in accordance with the IDB Group's Implementation Approach for Alignment with this Agreement.

2. Scope of IDB Invest's Environmental and Social Review

The environmental and social analysis of the proposed operation consisted of a desk review of the Client's environmental and social performance over time, with an emphasis on compliance of the following Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

3. Environmental and Social Categorization and Rationale

The Project has been classified as Category C according with IDB Invest's Environmental and Social Sustainability Policy, because their incremental impacts are practically negligible and easily manageable from the Project's perspective.

4. Environmental and Social Risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The Client's operations are conducted in administrative offices, vehicle showrooms, and workshops for after-sales service. The main environmental aspects associated with its activities include energy and water consumption and waste and wastewater generation. Under Peruvian regulations, these operations do not require environmental permits.

The Client has an Environmental and Social Management System (ESMS-OHS&E) that includes specific procedures, plans, and records, such as: i) a Waste Management Plan; ii) a Safety, Occupational Health, and Environment Program; iii) an Annual Occupational Health Plan and Program; and iv) an Emergency Response Plan.

The Client has created emergency prevention and response brigades that: i) specialize in evacuation, first aid, and firefighting; ii) have a drill program that organizes these trainings according to the specific risk scenarios of each site; and iii) offer virtual and on-site training to all brigade members nationwide.

Divemotor has a Safety, Occupational Health, and Environment Policy that defines its scope of application, contains general provisions, describes the directives to be applied, contains a training list, and contemplates a periodic review and reporting system for the initiatives. As part of its comprehensive management, it also has a Sustainability Policy that extends to contractors and suppliers.

The Client is preparing a Waste Management Manual and will provide ongoing training to its employees on these issues (awareness and segregation).

In 2023, the Client conducted external audits (Mintra Audit¹) at the Lima, Arequipa, and Trujillo offices, and is currently working on training 19 internal auditors to begin the implementation of a second round of audits. To date, all findings from this review exercise have been closed.

As part of its commitment to environmental management, the Company prepares its Organizational Carbon Footprint Report using the Carbon Footprint Tool of the Peruvian Ministry of Environment.² This allows it to implement specific actions to reduce its emissions levels.

The Company has a General Procurement Policy that outlines the fundamental principles applicable to any of the Company's purchasing activities, ranging from supplier selection, cost optimization, regulatory compliance, and the incorporation of sustainable practices.

As part of its environmental initiatives, the Client participates in the "Recycle to Help" program, which includes recycling campaigns for electrical and electronic equipment and plastic bottles, beach clean-up days, and circular economy fairs that showcase new products created from waste generated by the Company. It also collaborates with various institutions for the reuse of different types of waste, such as used oils, end-of-life tires ("ELTs"), and used work uniforms, among others.

¹ <https://apssoma.org/soposte-ssoma/auditorias-ssoma/auditoria-mintra>

² <https://huellacarbonoperu.minam.gob.pe/huellaperu/#/inicio>

Under the ESMS-OHS&E, responsibility for the evaluation, identification, and control of environmental and social risks has been assigned to the OHS&E Management Office, which reports to the Human Development Management.

4.2 Labor and Working Conditions

The Company currently has 1,252 employees distributed among all its branches, of whom 70% are men and 30% are women. The Company complies with all applicable labor regulations (wages, working hours, benefits, and other employment conditions) which are formalized through the contracts it signs.

The Client has a Corporate Code of Ethics and Conduct (the “Code”) and an Internal Labor Regulation detailing generic standards of work behavior to be observed by all employees (duties, rights, sanctions, permanence, and punctuality). In this sense, these documents prohibit going to the workplace or usual job site under the influence of any substance (basically alcohol or narcotics of legal or illegal origin) that alters the partial or total control of the person, as well as drinking alcoholic beverages or using drugs (narcotic substances) during working hours.

The Ethics and Conduct Committee (the “Committee”), together with Senior Management, promote the values and behaviors defined in the Code and establish the necessary procedures for the promotion, dissemination, and enforcement of ethical conduct. As an internal control body, the Committee is also responsible for ensuring compliance with the Code and all internal regulations within the organization; for hearing complaints received, and for determining the sanctions to be applied to employees, based on the investigation performed.

The Company's principles include: respect, honesty, responsibility, and excellence. The Company expressly rejects corruption, money laundering, and the financing of terrorism. Divemotor declares its alignment with human rights and, therefore, its non-collaboration with any group that directly or indirectly carries out practices that violate these principles. The Company also promotes dignity and respect for people, rejecting discriminatory attitudes based on race, religion, beliefs, gender, age, sexual orientation, nationality, marital status, disability, among others, and ensuring equal opportunities for both applicants for new jobs and current employees.

The Client has a Whistleblower Channel³ to capture, from employees and suppliers, any complaint or irregularity related to deviations or non-compliance with the Corporate Code of Ethics and Conduct, the ISO 37001 Anti-Bribery Management System, internal policies, and current regulations. Divemotor's Whistleblower Channel is operated by an independent professional company (Ernst & Young - EY), which is in charge of receiving complaints from its website, a dedicated e-mail, the call center, and in person. The channel provides the possibility of receiving anonymous complaints.

The Client has a Sexual Harassment Prevention and Sanction Policy (“SHPS”) that establishes guidelines to identify, analyze, address, and prevent cases of harassment, bullying, and workplace discrimination and violence; as well as a Diversity and Inclusion Policy whose main guidelines are based on the development of a sustainable and inclusive culture that respects and values each person in the work community, based on the principles of: women's participation and leadership, equal pay, inclusive communication, and the

³ <https://www.canaldedenunciasdivemotor.com/>

provision of safe spaces free of discrimination. The Company has a Gender Equity and Diversity Committee that is responsible for leading, promoting and implementing the gender equity and diversity strategy.

The SHPSP, which is applied without any type of discrimination in terms of sexual orientation, gender identity, ethnicity, racial self-identification, or disability, among other identity traits, recognizes equity as part of its strategy to achieve an understanding of existing gaps, in order to move forward in closing them and reducing their impact. The Company ensures freedom of association for all employees.

4.3 Resource Efficiency and Pollution Prevention

The Client has approximately 30 offices throughout Peru, with administrative, sales, and post-sales offices.

To ensure proper waste management (segregation, collection, storage or stockpiling, transportation, and final disposal), Divemotor has a Waste Management Plan that covers each contractor and all areas that generate waste. This plan also contains procedures and contingency plans associated with handling hazardous materials.

The wastewater generated is piped to the municipal sewage collection, treatment, and disposal system. After-sales service workshops have primary treatment systems that include the use of grease traps and septic tanks, which are cleaned by authorized firms.

Solid office and electronic waste (servers, screens, and other expired electronic equipment), as well as hazardous waste (used batteries, used oils, lubricant containers, paint containers, polluted and bio polluted waste, etc.) are collected and managed by outsourced companies.⁴ ELTs are managed in accordance with the Special Regime for the Management and Handling of End-of-Life Tires.⁵

The operating procedure for waste management includes minimizing waste generation through source reduction techniques and on-site and off-site recycling. Recyclable waste such as paper, cardboard, and PET plastics are donated to non-governmental organizations that recover them.

To raise staff awareness and strengthen the correct segregation of waste at the source, the Client conducts training sessions that address issues related to the integrated management of solid waste, emphasizing strategies for minimization, preparation for reuse, recycling, recovery, and proper disposal of waste. It also offers training sessions on legal and regulatory aspects that promote good practices, as well as on the associated risks and appropriate responses for managing hazardous solid waste.

Each of the sites or branches has a water and energy use estimate for efficient management.

4.4 Community Health, Safety and Security

The Client's operations have virtually no impact on the external community. The traffic generated by the Company, considered immaterial, is absorbed and mixed with urban traffic. The buildings offer parking spaces, and public transportation services are available to all employees at all locations. Noise levels are

⁴ Solid Waste Operating Companies (SW-OCs) registered with the Ministry of the Environment ("MINAM"), which have the corresponding licenses and municipal permits to operate.

⁵ ["https://www.gob.pe/institucion/minam/normas-legales/2039546-024-2021-minam"](https://www.gob.pe/institucion/minam/normas-legales/2039546-024-2021-minam)

low and compatible with office activities. However, to date, the Client lacks an external channel that can capture possible complaints from the community.

5. Proposed Management Measures

Although undesired impacts generated by the Company's activities on the environment are low or immaterial, the Client, in line with its continuous improvement strategy, will take the following actions:

Action	Deliverable	Delivery date
1. Establish a channel to capture and handle complaints and claims from the community that allows them to express their concerns and suggestions about the Company's environmental and social management.	1. Procedure for handling complaints and claims from the community	1. Prior to first disbursement.
2. Establish a monitoring and evaluation system for the policies and programs implemented, with clear indicators to measure their effectiveness and make adjustments when necessary.	2. Monitoring and evaluation matrix of the policies and programs, with effectiveness indicators.	2. No later than 60 days after the first disbursement.
3. Implement a dissemination campaign among employees to raise awareness and use of the existing internal grievance channel.	3. Evidence of implementation.	3. As part of the Environmental and Social Compliance Report (ESCR).
4. Implement programs to reduce water and energy consumption.	4. Water and energy consumption reduction programs and evidence of their implementation	4. As part of the ESCR.
5. Disseminate the Company's Sexual Harassment Prevention and Sanctions Policy.	5. Evidence of dissemination.	5. As part of the ESCR.

6. Additional Information

For questions about the Project please contact Divemotor:

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For questions and comments to BID Invest, please contact:

Name: IDB Invest Communication Group
 Email: requestinformation@idbinvest.org

Additionally and as a last resort, affected communities can access the ICC's Independent Consultation and Investigation Mechanism (ICIM) as follows:

Phone number: +1 (202) 623-3952
 Fax number: +1 (202) 312-4057
 Address: 1300 New York Ave. NW Washington, DC. USA. 20577
 Email: mecanismo@iadb.org or MICI@iadb.org